ELK-DESA®

35th Annual General Meeting

PERFORMANCE REVIEW FOR FYE 31 MARCH 2024

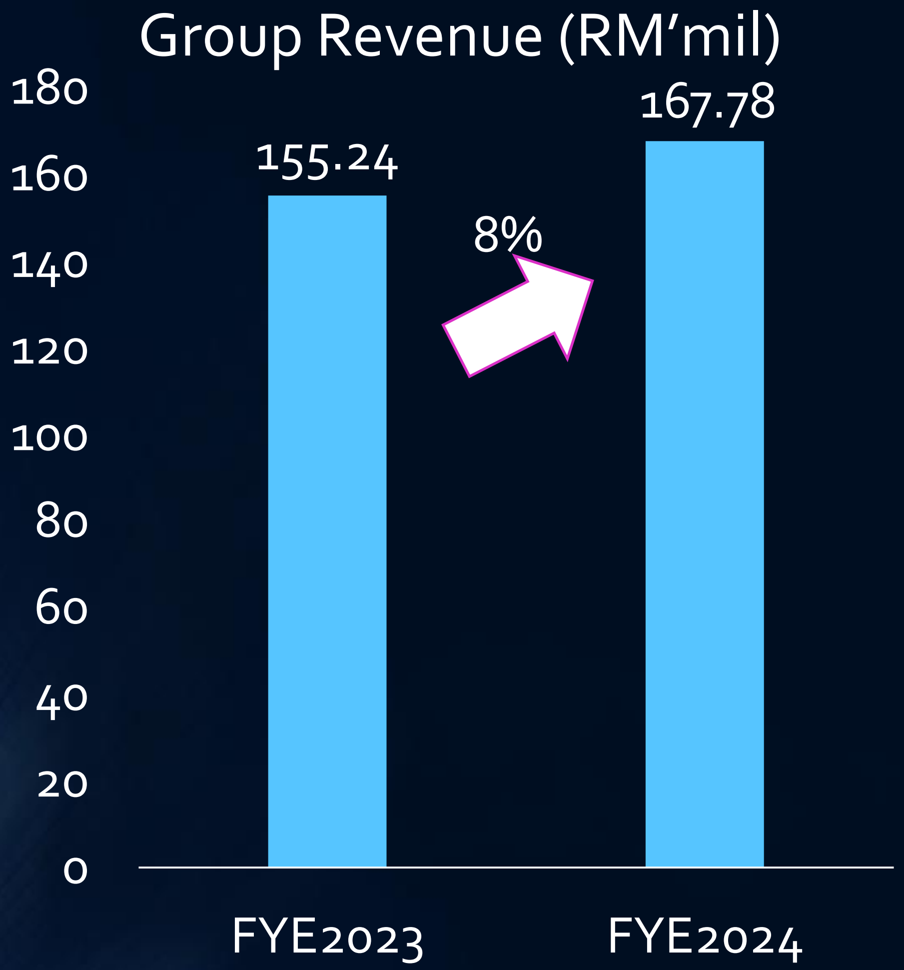
Agenda

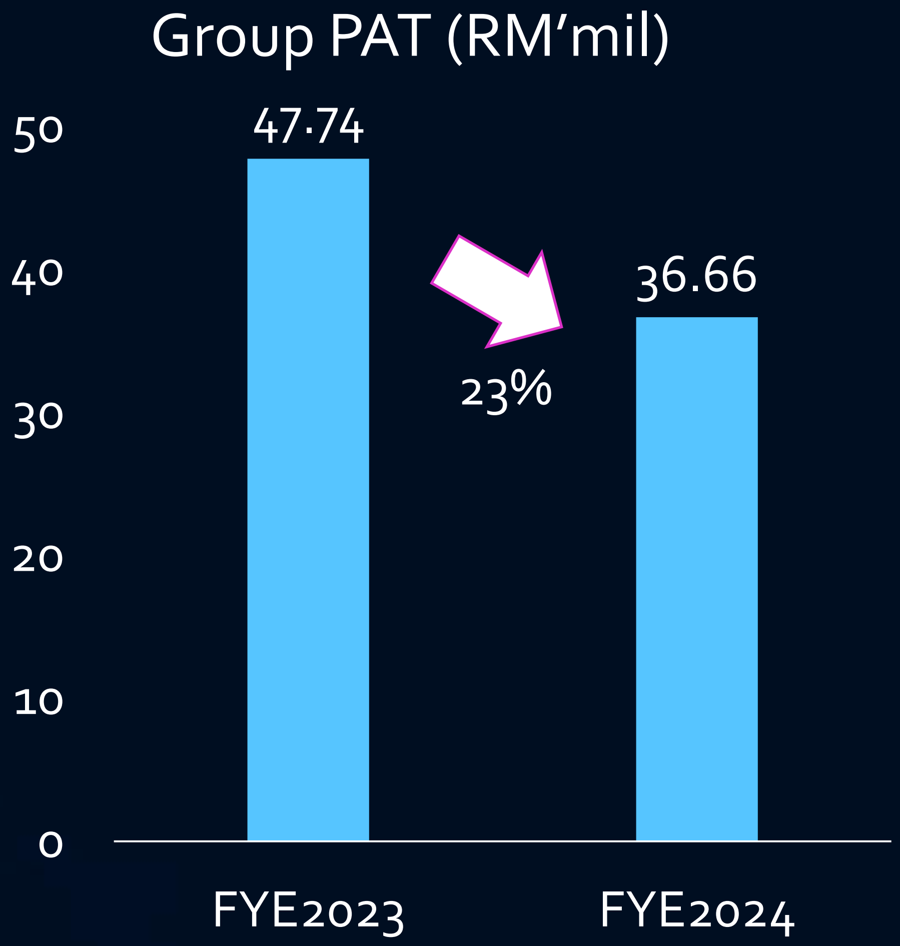
- Financial Performance for FYE2024
- Key Financial Trends
- Outlook for FYE2025

Financial Performance for FYE2024

OVERALL GROUP

Group Performance



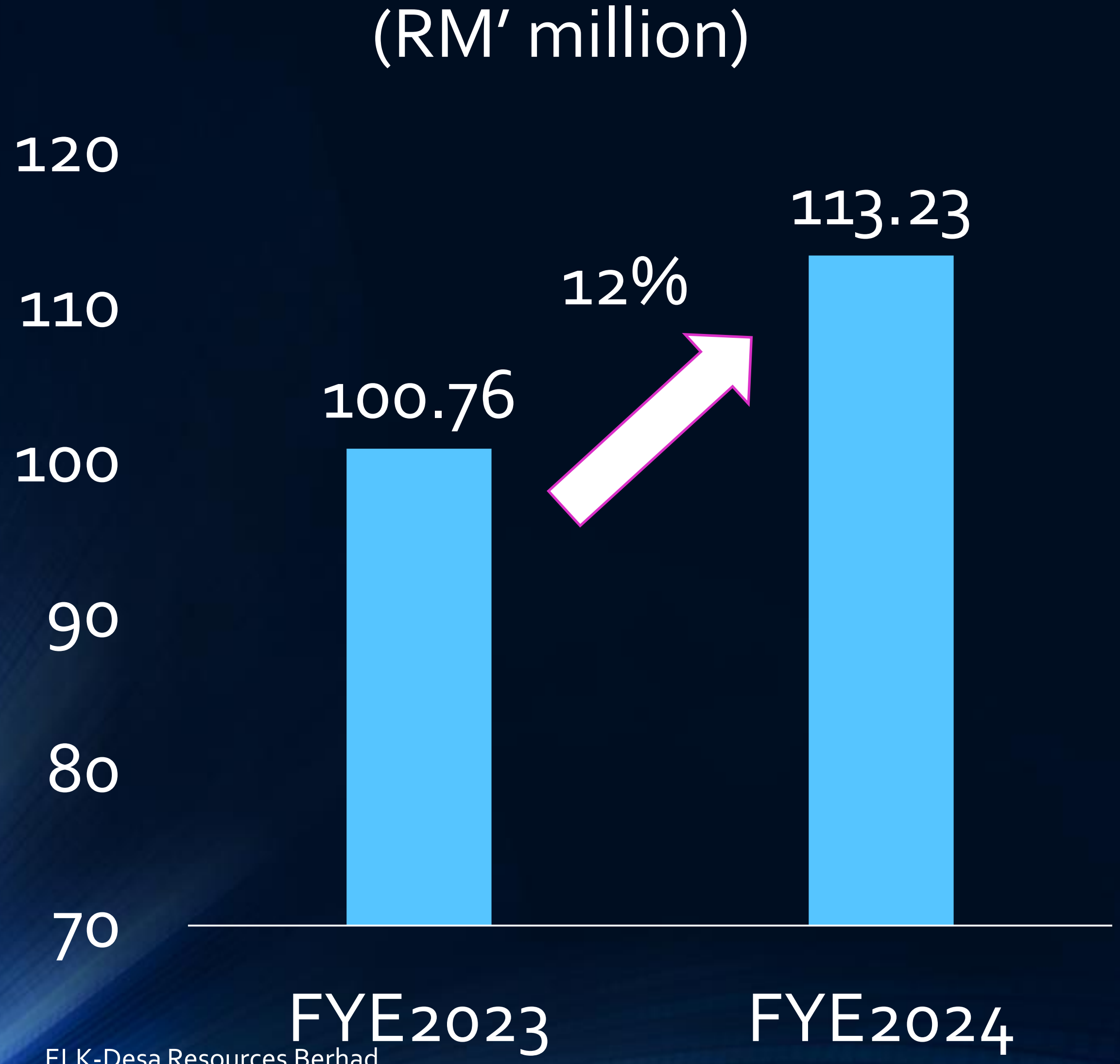


- Higher revenue contribution mainly from HP Financing division
  Lower profit contributions from both HP Financing and Furniture divisions

Financial Performance for FYE2024

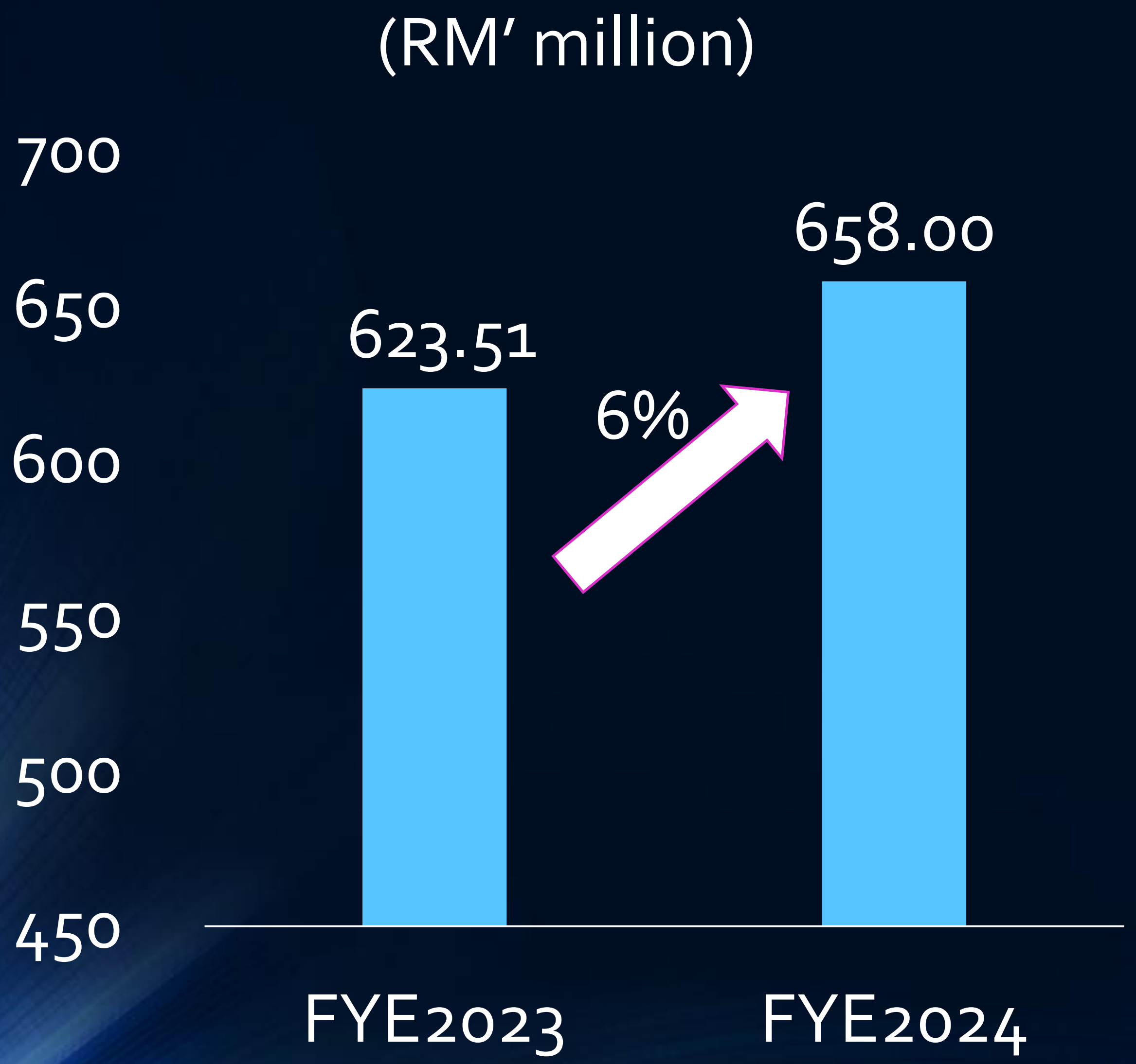
SEGMENTAL PERFORMANCE – HIRE PURCHASE FINANCING DIVISION

HP Segment Revenue



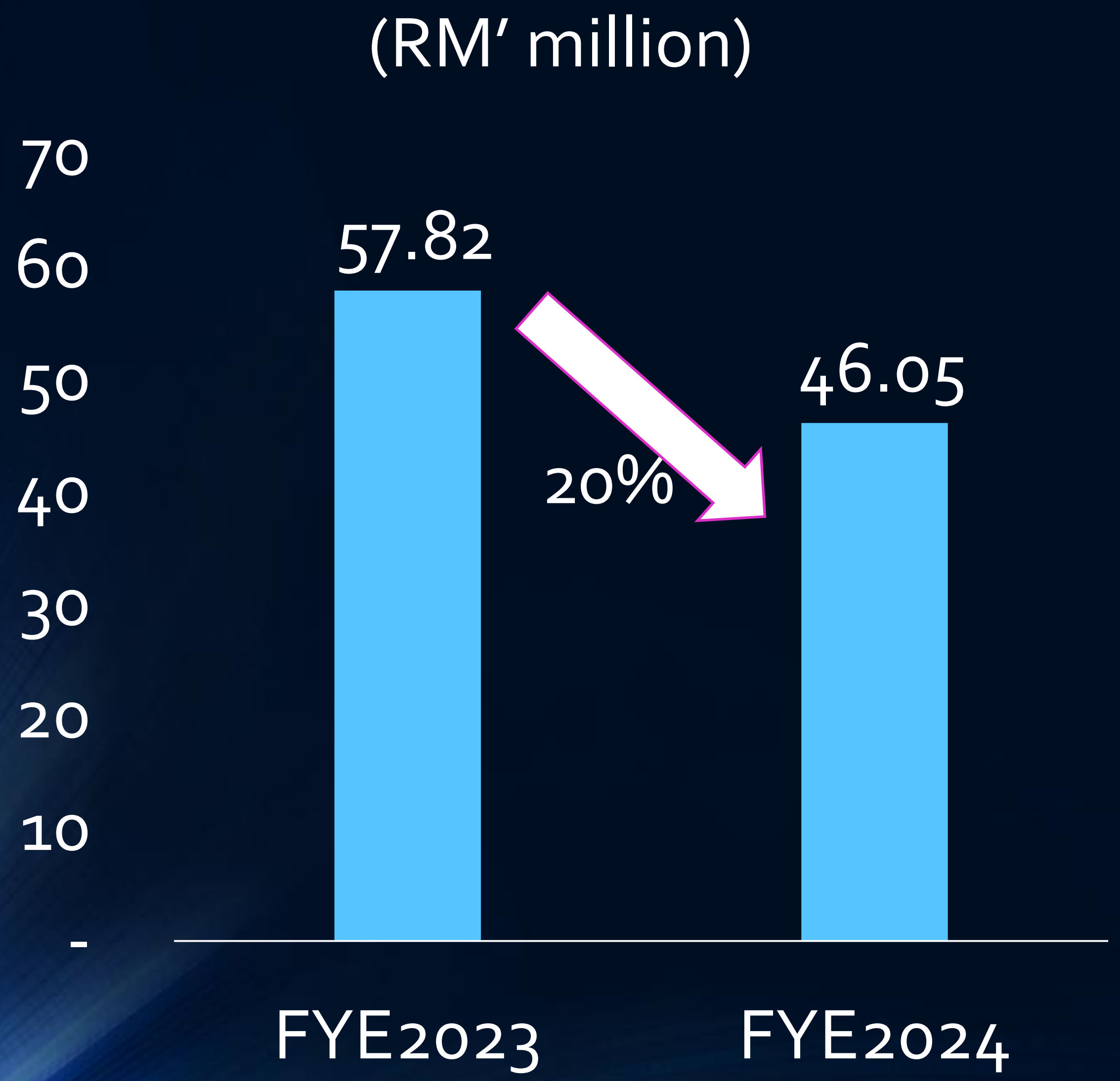
- 90% of the HP segment revenue was derived from HP interest income.
- HP interest income recorded a 14% increase to RM101.6 million from RM89.10 million last year.
- Non HP interest income decreased marginally to RM11.63 million.

Net HP Receivables



- Increase in Net HP receivables was one of the driving factor for the Division's higher revenue during the year.
- Notably, Net HP receivables are at the highest level since the commencement of the HP business

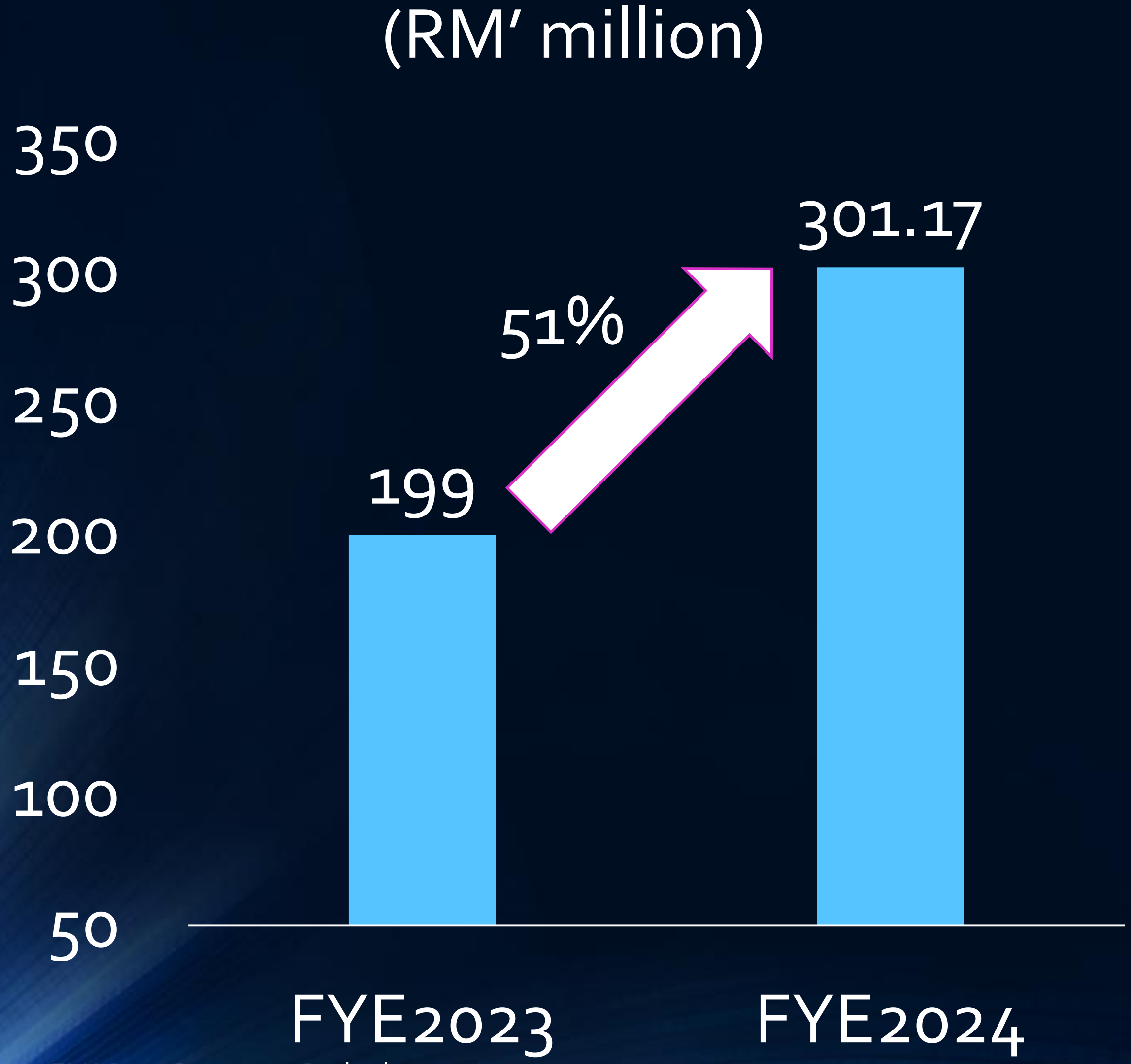
HP Segment Profit Before Tax



- Key drivers of PBT :
  - Higher impairment by RM19.40mil

    → Substantially higher impairment due to higher losses from sales of repossessed vehicles in contrast to exceptionally good collections in the 1st half of FY2023

Total Borrowings

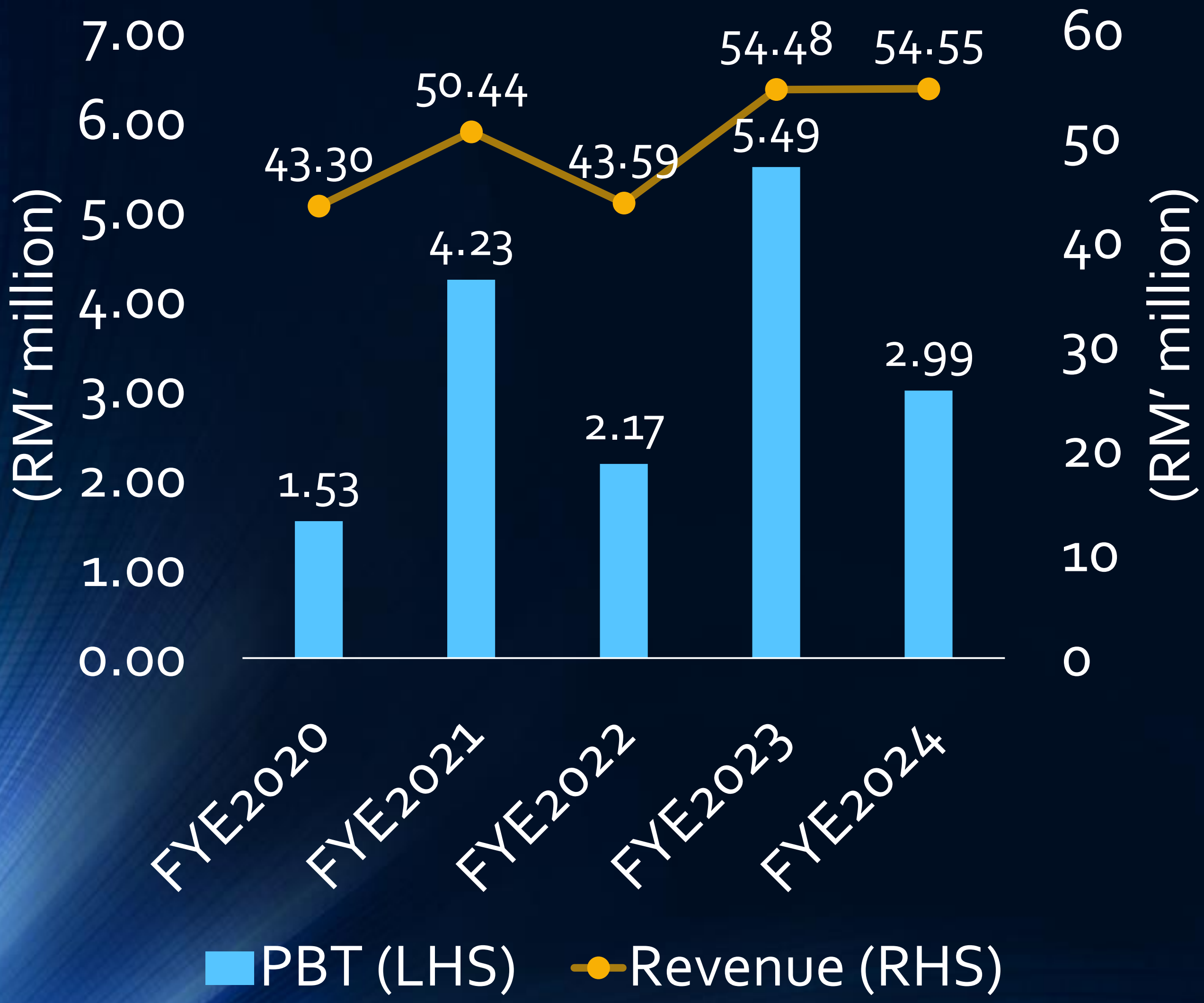


- Higher borrowings to support growth in HP receivables
- Group's gearing ratio remains at a manageable level of 0.62 times.
- Gearing to be < 1.5 times
- Key funding cost ranges between 4.7% to 5.3%

Financial Performance for FYE2024

SEGMENTAL PERFORMANCE – FURNITURE DIVISION

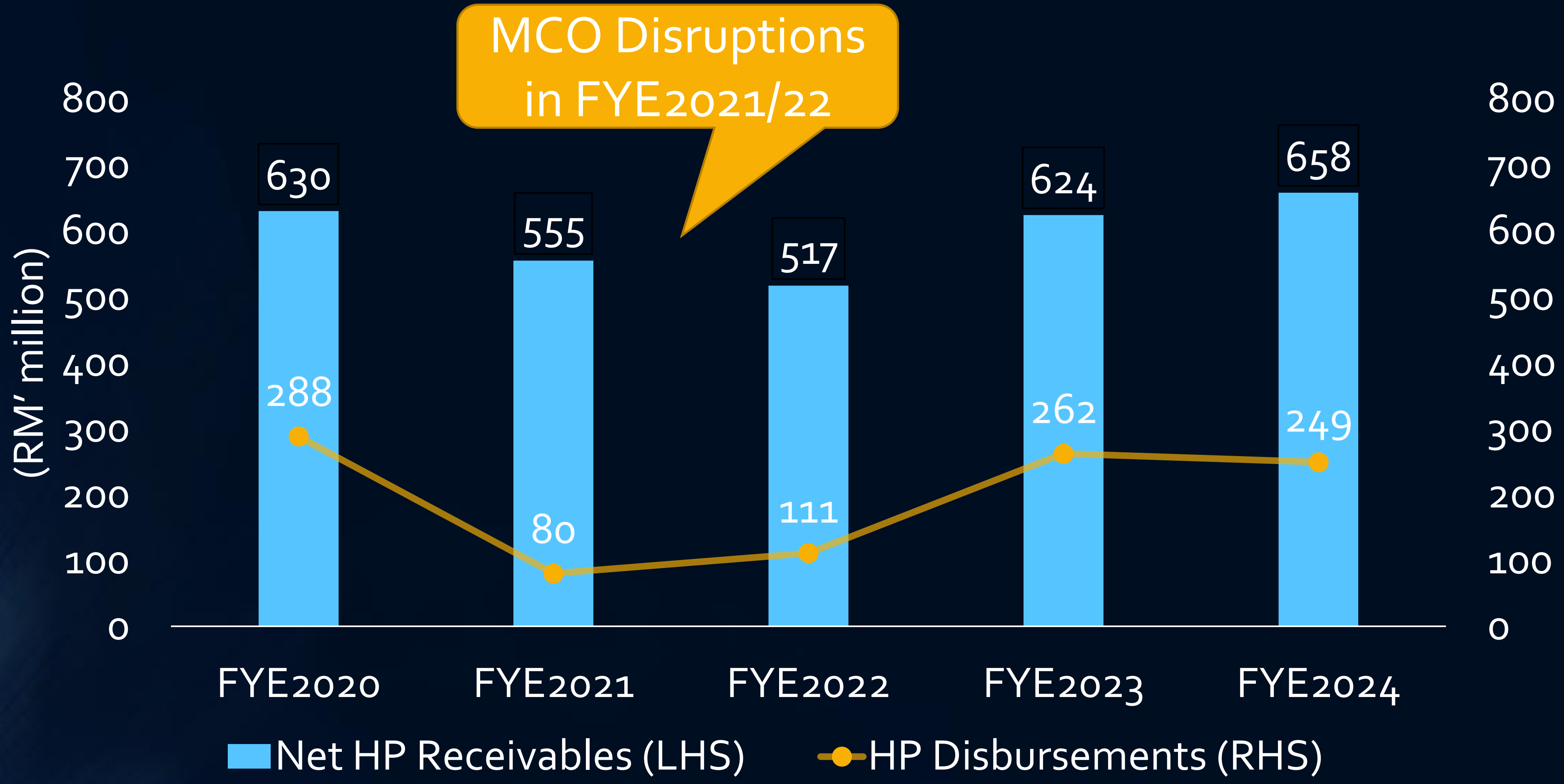
Furniture Segment Results



- Flat furniture sales in FYE2024.
- Lower gross profit margin of 35%.
- Lower PBT in FYE2024 due to the lower margin.
- Furniture sales from Sabah & Sarawak
  - Grew 30% in FYE2024
  - Contributes 10% to total furniture sales

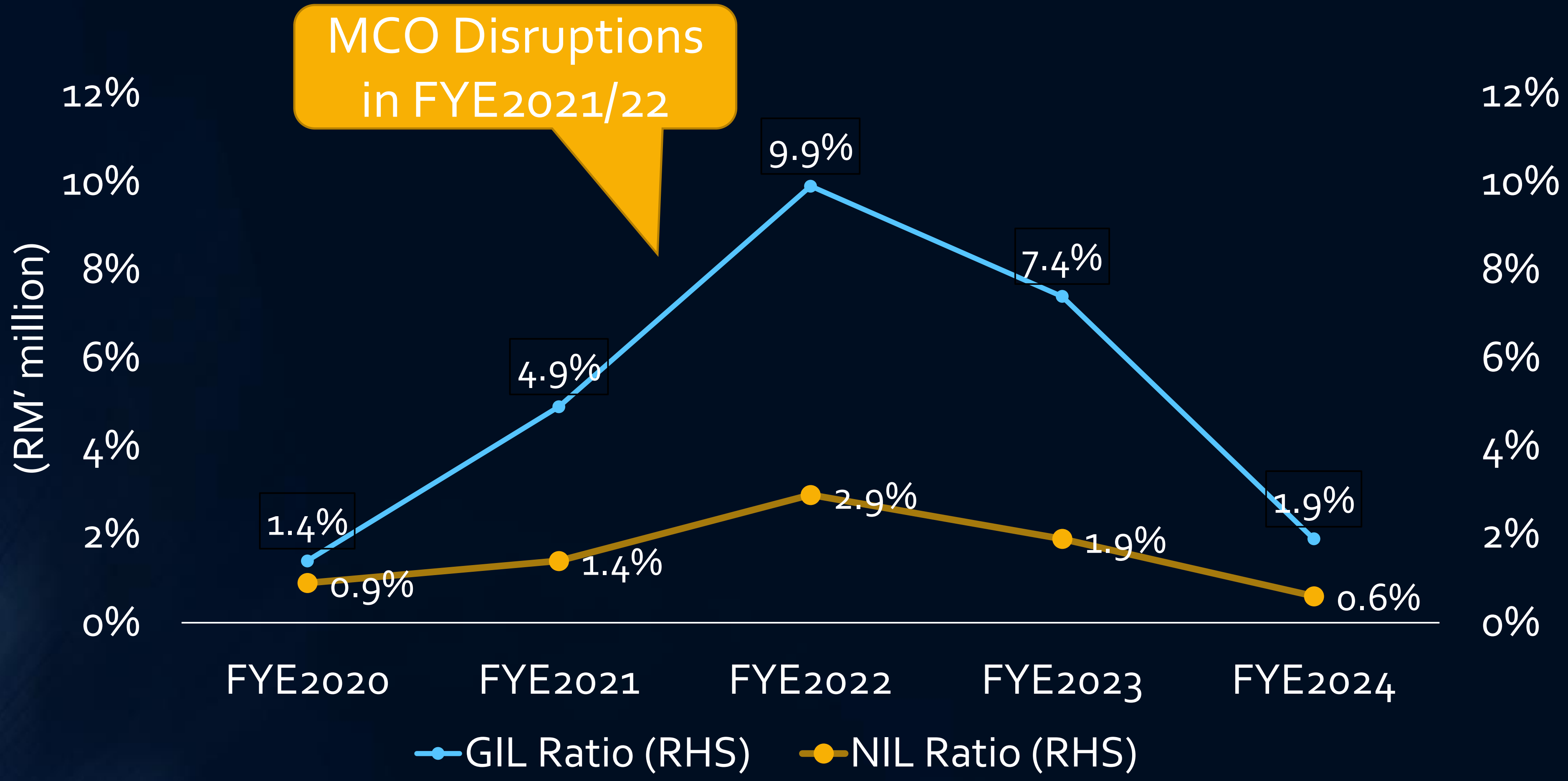
Key Financial Trends

Net HP Receivables & HP Disbursements



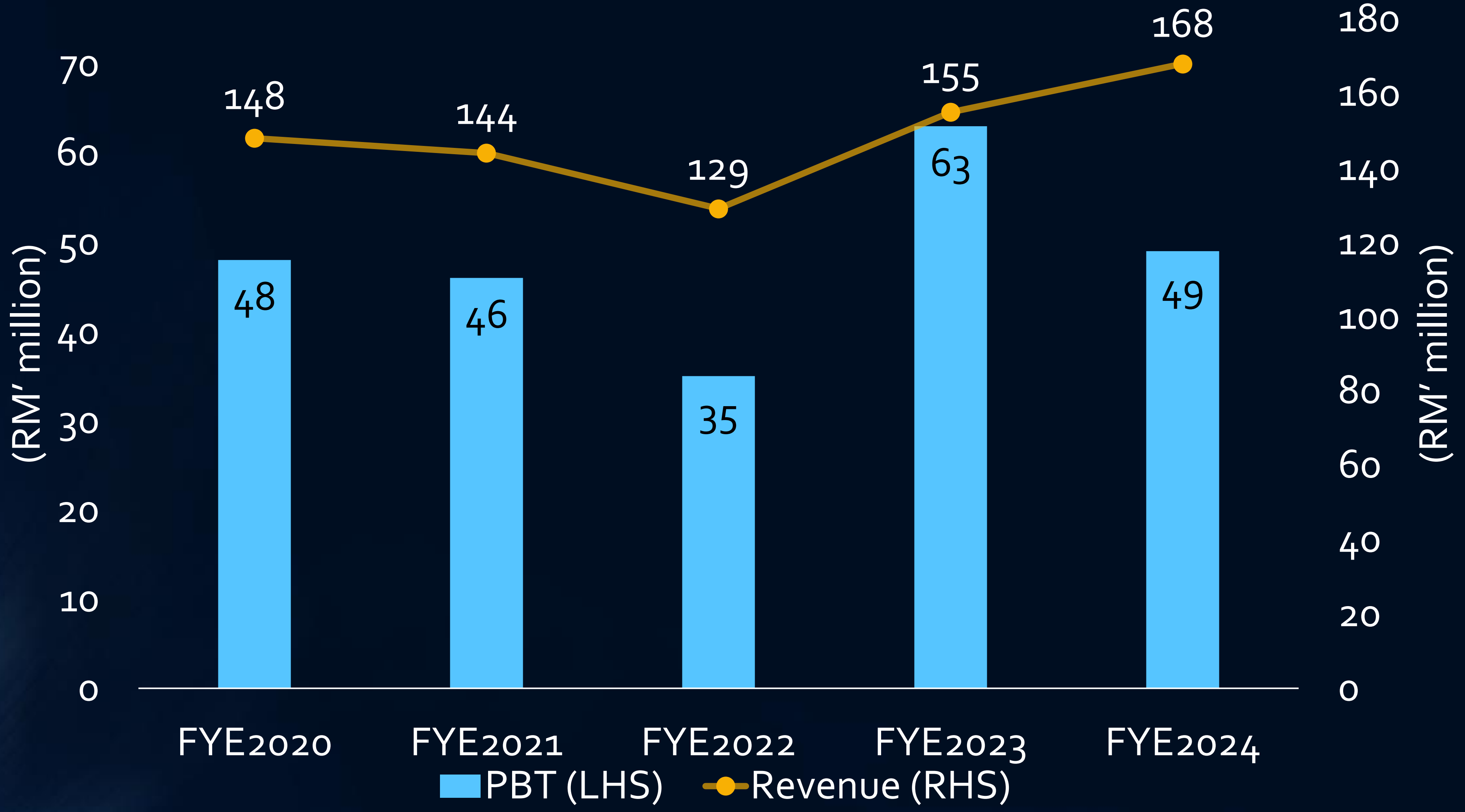
- Net HP receivables bounced back significantly in FYE2023/2024. CAGR of 6% over the past 5 years caused by MCO slowdown in FYE2021/22.

Gross & Net Impaired Loans Ratio



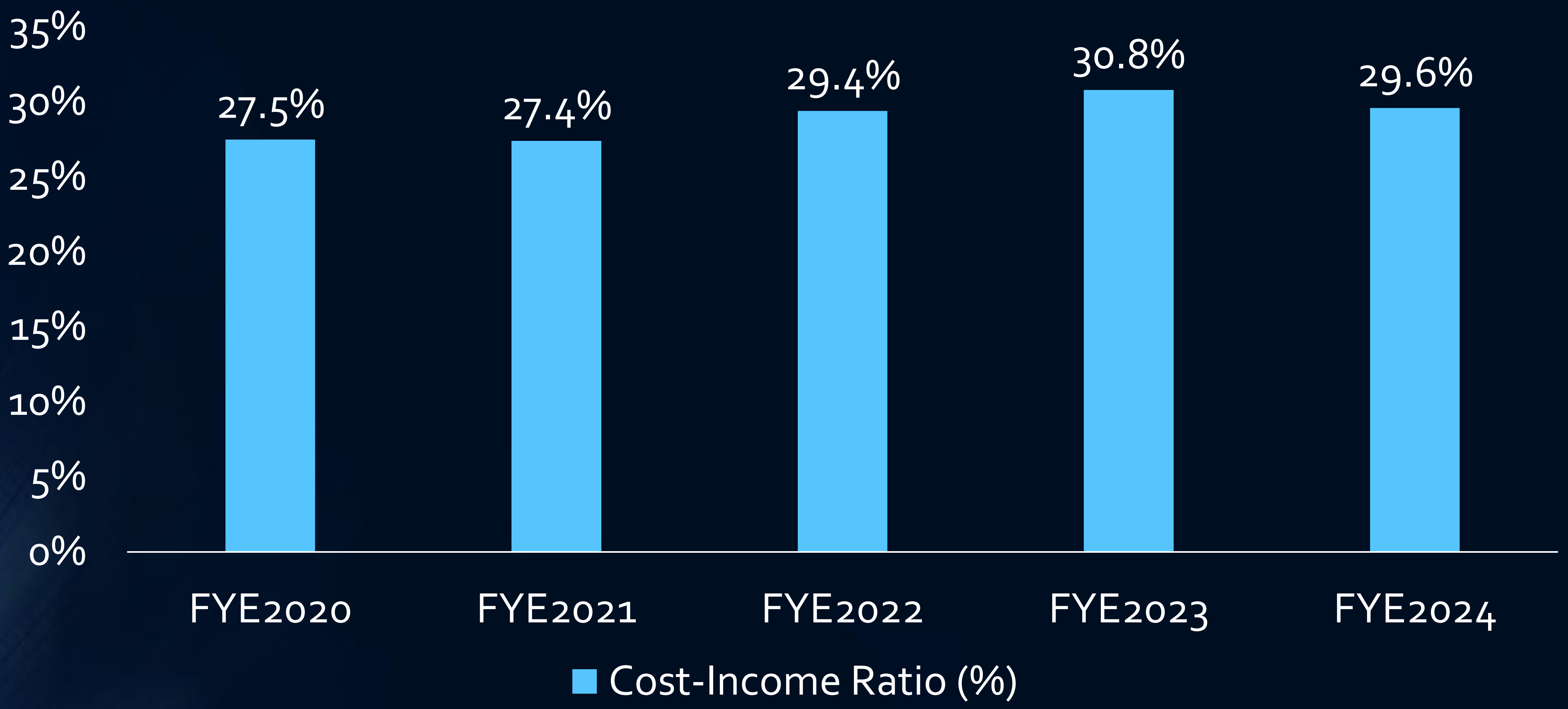
- Increase in impaired loans ratio largely caused by disruptions of hirers' repayment during MCO periods. Management strives to gradually bring down to Pre-Covid levels.

Revenue & Profit Before Tax (Group)



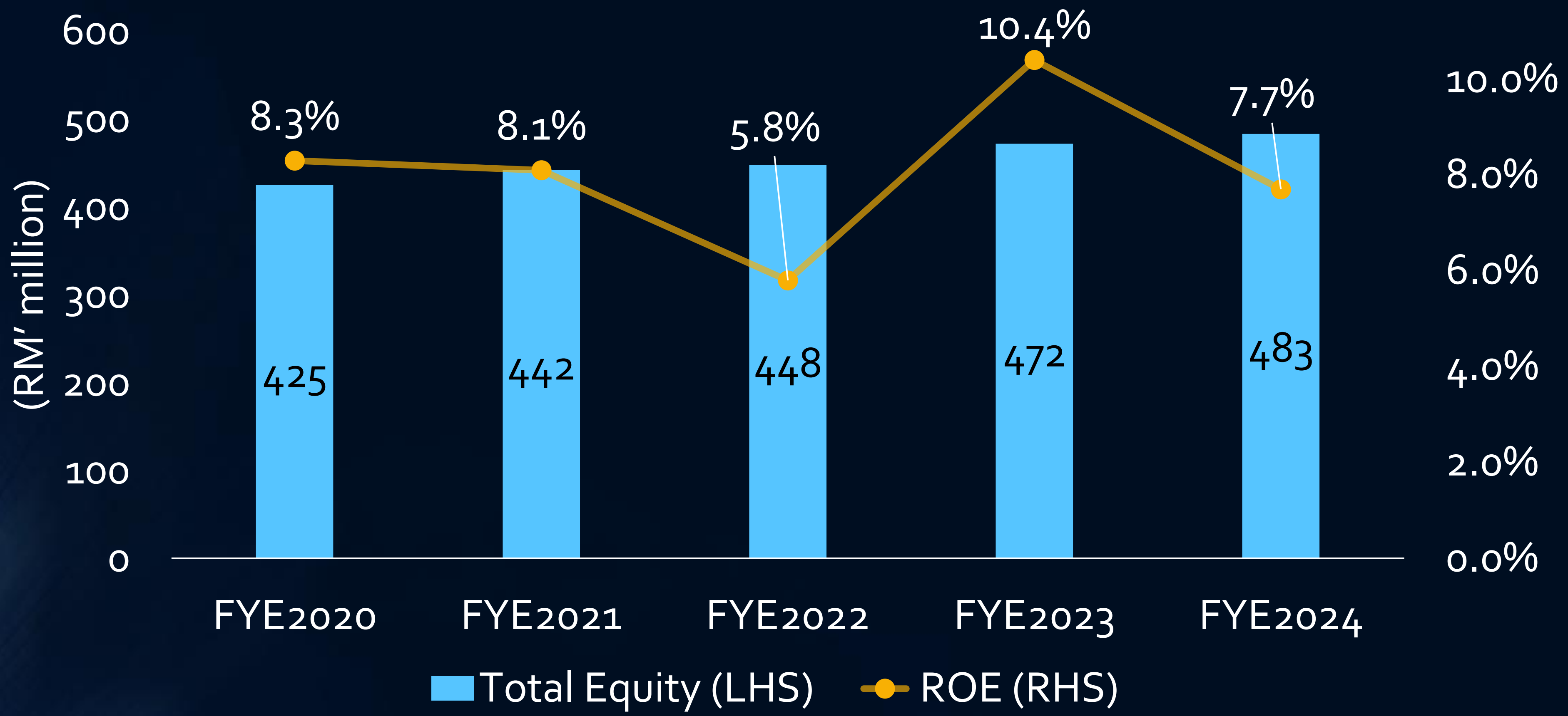
- Revenue/PBT affected in FYE2021/22 due to Covid/ MCO, but strong recovery in FYE2023 mainly from HP Financing Division. Normalisation in FYE2024.

Cost-Income Ratio (HP Segment)



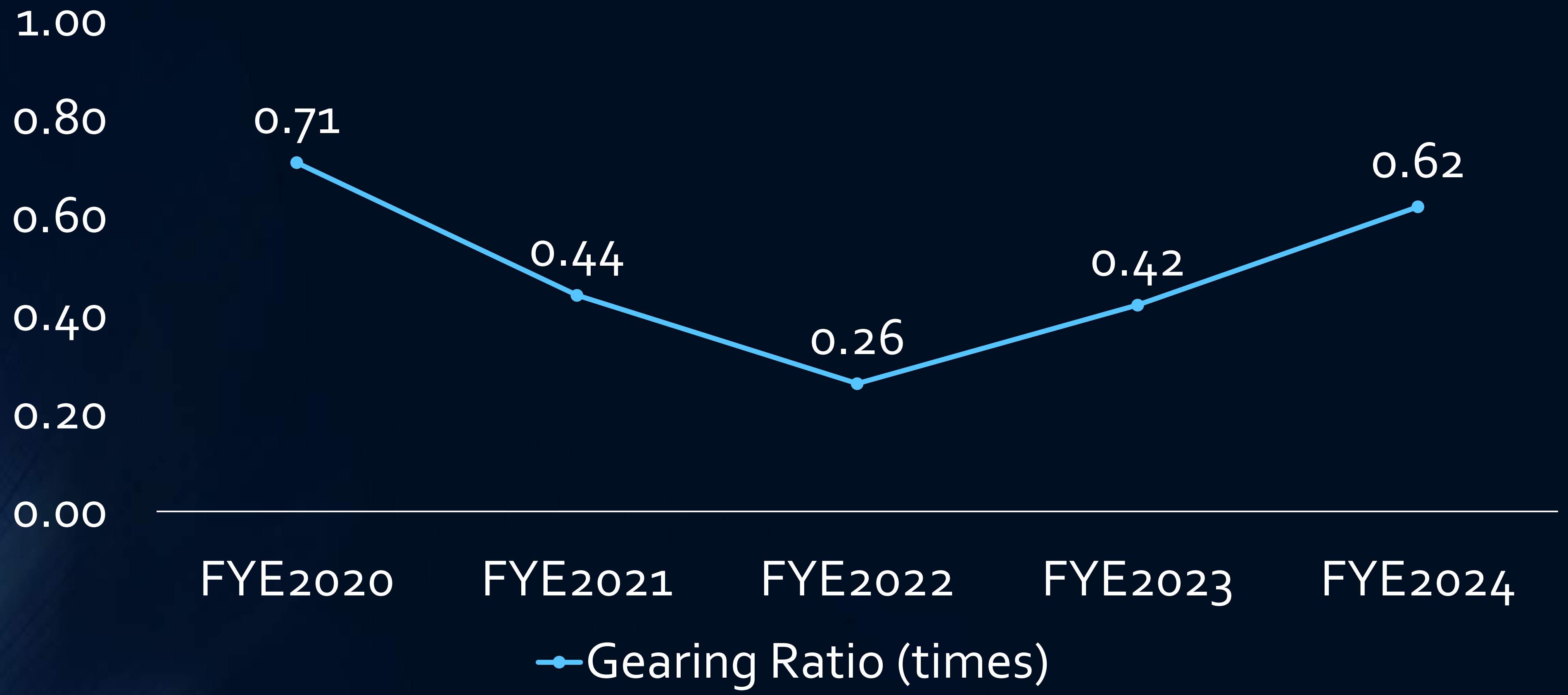
- Low and manageable cost-income ratio.

Total Equity & Return on Equity



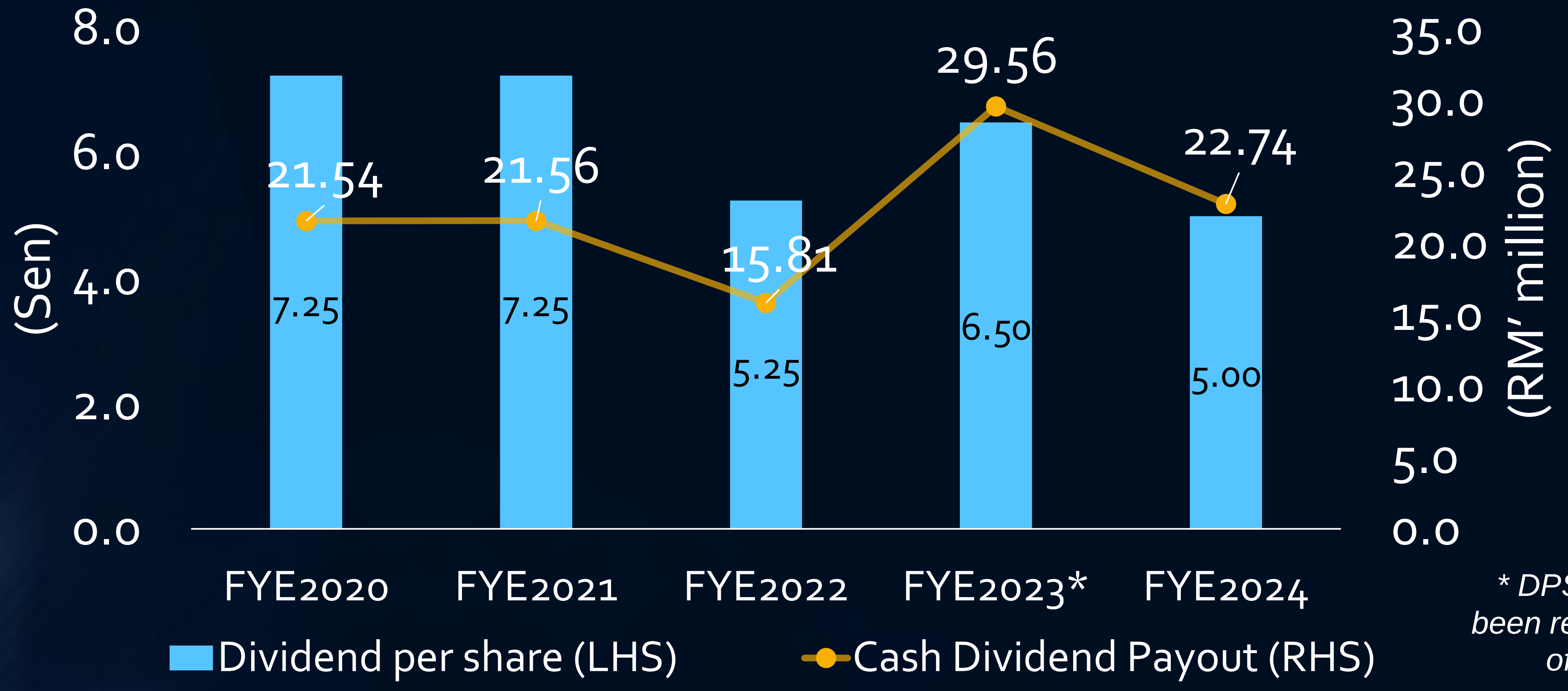
- ROE was affected by Covid pandemic and operation disruptions in FY2021/22. ROE in FY2024 affected by Furniture Division.

Gearing Ratio



- Manageable gearing level. Pared down borrowings while managing risk during Covid/MCO, resumed drawdown in FYE2023 onwards to support HP receivables growth.

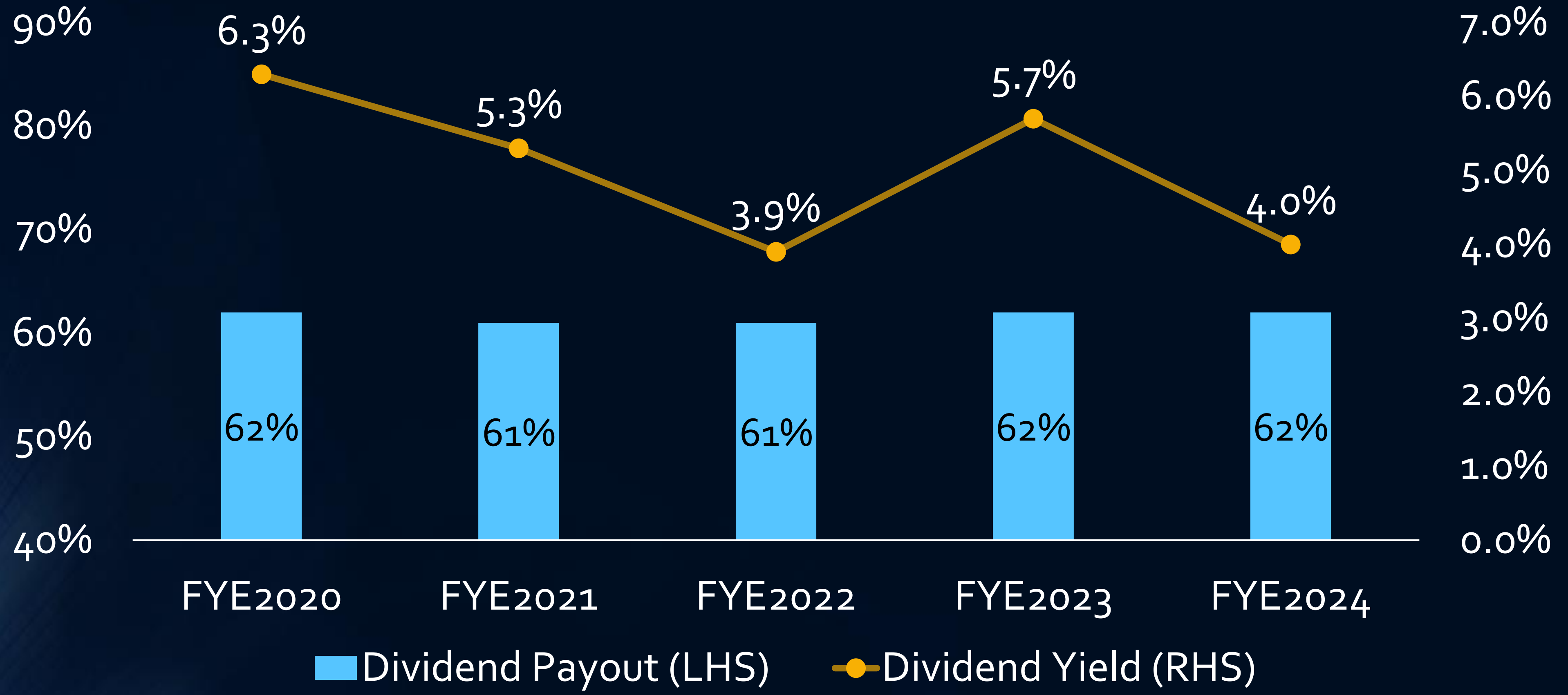
Dividend History



** DPS (1st interim) has been restated in respect of bonus issuance.*

- Consistent and stable returns to shareholders except for Covid disruptions in FYE2022

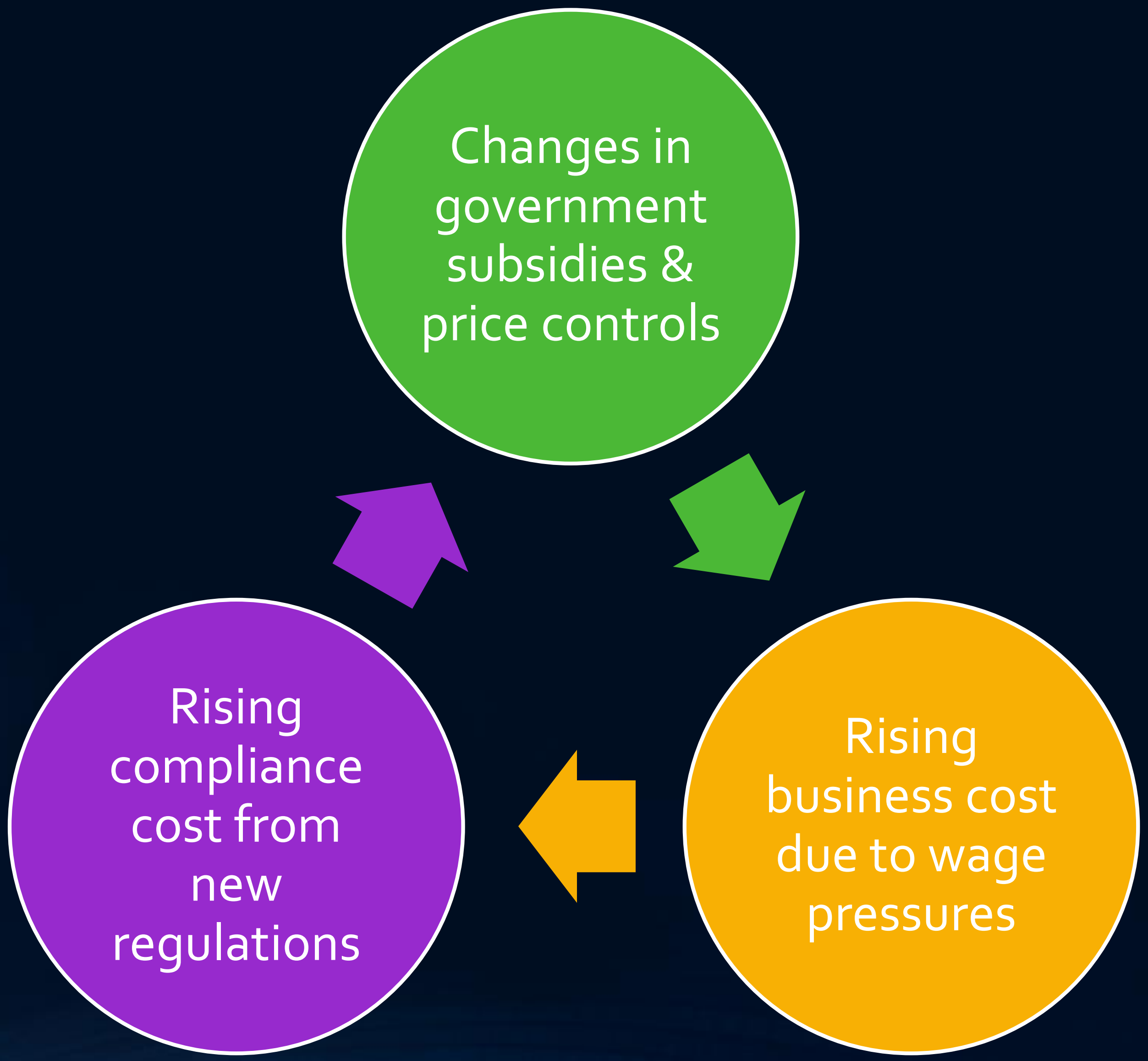
Dividend Payout and Dividend Yield



- Dividend Policy of not less than 60% of Profit After Tax, effective from FYE2016. Dividend yield computed based on share price on FYE 31 March.

Outlook for FYE2025

Challenges Ahead



Outlook for FYE2025

- Grow HP receivables portfolio (10-15%)

Balance between growth & taking on excessive risk

Maintain our pace in recovery

- Drive down impaired loan ratio

- Solidify presence in furniture wholesaling

Especially in Sabah & Sarawak

MSWG Enquiries

No.	MSWG Question
1.	In FY2024, ELK-Desa recorded a significantly higher impairment allowance at RM29.79 million compared to RM8.045 million previously (page 139 of AR2024). At the same time, a higher credit loss charge of 4.1% was recorded against 1.2% in FY2023. The higher impairment allowance and credit loss charge were mainly due to the higher losses incurred from sales of repossessed vehicles in contrast to exceptionally good collections in the first half of FY2023 (page 13 of AR2024). a) The impairment for HP receivables is recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss (ECL) model (page 117, Note 8(e), AR2024). The ECL approach results in the early recognition of credit losses because it includes both incurred losses and expected future credit losses. How did the Group incur higher losses from the sale of repossessed vehicles when the ECL from high-risk customers should have been "frontloaded" in the provisioning of impairment allowances upon observing signs of delinquency in payments among borrowers? b) How different was their actual recovery value vis-à-vis management's estimation for repossessed vehicles?

No.	MSWG Question	Response
1.	1(a) The impairment for HP receivables is recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss (ECL) model (page 117, Note 8(e), AR2024). The ECL approach results in the early recognition of credit losses because it includes both incurred losses and expected future credit losses. How did the Group incur higher losses from the sale of repossessed vehicles when the ECL from high-risk customers should have been "frontloaded" in the provisioning of impairment allowances upon observing signs of delinquency in payments among borrowers? 1b) How different was their actual recovery value vis-à-vis management's estimation for repossessed vehicles?	It is correct to state that customers who have fallen into certain higher risk buckets would have been provided for in terms of impairment provision. Within the impaired loans, we also separately look at those vehicles that are repossessed so that we are aware of the impairment losses for this category of accounts. In FY2024, the losses incurred from sales of repossessed vehicles were at least 20% higher compared to the loss experience we had prior to Covid in FY2021. This additional 20% losses were estimated to be approximately RM8.6 million. Excluding the additional losses mentioned above, the credit loss charge for FY2024 would have been significantly lower. As at 31 March 2024, loan loss coverage stood at 127%, reflecting adequate provisions for impaired loans.

No.	MSWG Question
2.	Meanwhile, HP receivables amounting to RM61.95 million were written off in FY2024 against RM8.11 million as of FY2023 (page 119, Note 8(g) – Hire purchase receivables, AR2024). Nevertheless, these receivables are still subject to credit recovery activity. a) What is the ageing profile of the HP receivables written off? b) What recovery activities are to be undertaken? How successful is ELK-Desa in recovering bad debts generally? What is the average recovery rate of these HP receivables? c) Has the Group seen improvement in these customers' debt servicing ability? How are borrowers' repayment behaviours in the first three months of FY2025? What are the trends that ELK-Desa observed thus far? d) Considering current repayment behaviours and asset quality, do credit lending and management policies warrant a review to improve asset quality moving forward?

No.	MSWG Question	Response
2.	a) What is the ageing profile of the HP receivables written off? b) What recovery activities are to be undertaken? How successful is ELK-Desa in recovering bad debts generally? What is the average recovery rate of these HP receivables? c) Has the Group seen improvement in these customers' debt servicing ability? How are borrowers' repayment behaviours in the first three months of FY2025? What are the trends that ELK-Desa observed thus far? d) Considering current repayment behaviours and asset quality, do credit lending and management policies warrant a review to improve asset quality moving forward?	HP receivables amounting to RM61.95 million written off in FY2024 included both the repossessed accounts as well as unrecoverable accounts. These delinquent accounts were accumulated from FY2021 as the Group could not carry out repossession activities to recover the debts, due to constraints imposed by the Covid-19 Act that generally protected borrowers' interest. For the write off of unrecoverable accounts, the HP receivables must have been more than 5 months in arrears. Approximately 72% of the HP receivables written off were 12 months or more in arrears. Even after write off of the HP receivables, further recovery and legal activities would be carried out and the customers would have unfavourable track records in their credit reports. Average recovery rate of these receivables ranges from 18% to 25%. Con'd…

No.	MSWG Question	Response
2.	… Con'd a) What is the ageing profile of the HP receivables written off? b) What recovery activities are to be undertaken? How successful is ELK-Desa in recovering bad debts generally? What is the average recovery rate of these HP receivables? c) Has the Group seen improvement in these customers' debt servicing ability? How are borrowers' repayment behaviours in the first three months of FY2025? What are the trends that ELK-Desa observed thus far? d) Considering current repayment behaviours and asset quality, do credit lending and management policies warrant a review to improve asset quality moving forward?	… Con'd In the short term, there will be some level of uncertainties and fluctuations in terms of repayment behaviours and ability of the borrowers. Among others, this is potentially contributed by changes or impending changes in government subsidies and rising business costs due to increasing wage pressures. As ELK-Desa has been in the HP financing industry since 2004, we are monitoring these key issues closely in order to ensure that the HP business is well managed in the longer term. Notably, we have driven down the gross impaired loans ratio from a peak of 9.9% in FY2022 during the Covid pandemic, to 1.9% in FY2024.

No.	MSWG Question
3.	The Furniture segment experienced a significant margin squeeze in FY2024, with the PBT margin almost halving to 5.5% from 10.08% earlier, because of higher imported goods purchases due to a weaker ringgit and stiffer competition. Segmental PBT declined by 46% to RM3 million from RM5.49 million earlier, though segmental revenue remained stable at RM54.55 million compared to RM54.48 million in FY2023. a) Why was the Furniture division unable to achieve a notable growth in revenue during FY2024? b) How different was the input cost structure in FY2024 compared to FY2023? Which input materials cost more to import than before? c) Has the Group been able to pass on the impact of higher input costs stemming from weaker forex to customers? If yes, what is the average quantum of price increase? d) Does the Group expect the elevated cost structure to persist in FY2025? Could shareholders expect a recovery in profit margin in FY2025? e) What measures will be taken to preserve the profit margin? Are proactive cost control initiatives required to improve profitability?

<table>
<tr><th>No.</th><th>MSWG Question</th><th>Response</th></tr>
<tr><td>3.</td><td>a) Why was the Furniture division unable to achieve a notable growth in revenue during FY2024?

b) How different was the input cost structure in FY2024 compared to FY2023? Which input materials cost more to import than before?

c) Has the Group been able to pass on the impact of higher input costs stemming from weaker forex to customers? If yes, what is the average quantum of price increase?

d) Does the Group expect the elevated cost structure to persist in FY2025? Could shareholders expect a recovery in profit margin in FY2025?

e) What measures will be taken to preserve the profit margin? Are proactive cost control initiatives required to improve profitability?</td><td>Our furniture segment is mainly involved in wholesaling of household furniture, supplying to more than 800 furniture retailers throughout Malaysia.

In FY2024, we have observed slowness in consumer spending in household furniture resulting in a flat growth in the Group's furniture revenue. There is a shift from spending on furniture to other types of spending such as travelling and food.

The situation was made worse due to the weakening of the Malaysian currency against the US Dollar, where products directly imported by the Group as well as certain materials such as upholstery material and other accessories imported by Malaysian furniture manufacturers translate to higher cost of goods purchased for furniture wholesalers like us.

Con'd...</td></tr>
</table>

No.	MSWG Question	Response
3.	a) Why was the Furniture division unable to achieve a notable growth in revenue during FY2024? b) How different was the input cost structure in FY2024 compared to FY2023? Which input materials cost more to import than before? c) Has the Group been able to pass on the impact of higher input costs stemming from weaker forex to customers? If yes, what is the average quantum of price increase? d) Does the Group expect the elevated cost structure to persist in FY2025? Could shareholders expect a recovery in profit margin in FY2025? e) What measures will be taken to preserve the profit margin? Are proactive cost control initiatives required to improve profitability?	… Con'd Such rising cost of furniture products may have an impact on our short term gross profit margins as it will take some time for the end consumer market to gradually adapt to the higher product prices. As a furniture wholesaler, we will be seeking a balance between key factors such as product affordability, product margins and reaching out to new market segments, in order to improve longer term profitability.

No.	MSWG Question
4.	ELK-Desa identified 23 material sustainability matters (MSMs) based on engagements and inputs from its management, employees and selected stakeholders (page 24 of AR2024). a) The 23 MSMs identified are notably higher than many Bursa Malaysia-listed companies, typically identifying at most 15 MSMs. A high number of MSMs may dilute the focus and resources of a company, making it challenging and overwhelming to address the most critical issues effectively. Would the Company consider calibrating the list of MSMs to a smaller number for more targeted and effective sustainability efforts? Does the Company see such a need to do so? b) Who were the stakeholders ELK-Desa engaged for the Materiality Assessment? How comprehensive was the selection of stakeholders in ensuring inclusive and balanced stakeholder perspectives in determining MSMs?

No.	MSWG Question	Response
4.	a) The 23 MSMs identified are notably higher than many Bursa Malaysia-listed companies, typically identifying at most 15 MSMs. A high number of MSMs may dilute the focus and resources of a company, making it challenging and overwhelming to address the most critical issues effectively. Would the Company consider calibrating the list of MSMs to a smaller number for more targeted and effective sustainability efforts? Does the Company see such a need to do so? b) Who were the stakeholders ELK-Desa engaged for the Materiality Assessment? How comprehensive was the selection of stakeholders in ensuring inclusive and balanced stakeholder perspectives in determining MSMs?	In our materiality assessment for FY2024, we recategorised and realigned a number of our sustainability matter groupings, taking into consideration the sustainability matters prescribed by the Bursa Main Market Listing Requirements ("Bursa MMLR"). There were 8 MSMs that were newly identified and all 8 of them were prescribed matters by the Bursa MMLR. Notably, few of the prescribed MSMs are not our focus area. We take note of your comments and will further align this in the next comprehensive materiality assessment which is conducted every three years. Con'd...

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No.	MSWG Question	Response
5.	The ratio of basic salary and remuneration of women to men for the Senior Managers category was 0.37:1, which is lower than 0.87:1, 0.88:1 and 0.89:1 in other employee categories (page 42 of AR2024). a) The ratio implied a significant pay gap between female and male senior managers in the Company. How was the ratio calculated? What factors caused the significant disparities between the salary and remuneration of male and female senior managers in the Company? b) What measures are intended to be taken by ELK-Desa to narrow the pay gap between male and female senior managers?	The Senior Managers category comprises all Senior Management of the HP Financing Division, including three executive directors who are also sitting on the Board of ELK-Desa Resources Berhad. If we exclude the three directors, the ratio of basic salary and remuneration of women to men would be 0.83:1, which is comparable to the ratio in the other employee categories. In conclusion, there is no significant pay gap between male and female employees within the HP Financing Division.

No.	MSWG Question	Response
6.	Three independent non-executive directors, Mr Loong Foo Ching, Mr Ng Soon Lai and Ms Toh Jyh Wei, will retire upon the conclusion of the 35th AGM after serving the Board for 12 years. To ensure an orderly succession of INEDs after their retirement, the Board approved and appointed Ms Tan Tai Kim as a new INED on 23 August 2023. How is the progress in identifying more suitable candidates to replace the departing INEDs?	The Board has appointed two new independent directors (Datin Gan Kok Ling and Ms Tan Tai Kim) in the past two years. We have plans to appoint at least two more independent directors in the next 12 months.

No.	MSWG Question	Response
7.	ELK-Desa proposes to pay Mr Loong, Mr Ng, and Ms Toh a retirement gratuity of RM100,000 (in total) at this AGM (Resolution 7). a) Why does the Company propose to pay gratuity to the three INEDs as the fees and benefits paid to them should have sufficiently remunerated their performance and contribution to the Group? b) How did the three INEDs perform and contribute to ELK-Desa's long-term performance and value creation for minority shareholders? c) What is the proposed breakdown of the gratuity payment to the three directors in the sequence of Mr Loong, Mr Ng and Ms Toh? How does the Group determine the amount of gratuity to be paid to each director?	Mr Loong Foo Ching, Mr Ng Siek Chuan, Ms Toh Jyh Wei have served as independent directors of ELK-Desa Resources Berhad for the past 12 years since the Company was listed on the Main Market of Bursa Malaysia Securities Berhad in 2012. Throughout the past 12 years, our three directors provided unbiased and independent judgement in ensuring that Management's proposals and strategies are fully deliberated and examined objectively. This contributed to better governance, continuous growth and ensured that all shareholders' interests are being taken care of. Con'd...

No.	MSWG Question	Response
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No.	MSWG Question	Response
8.	ELK-Desa has adopted Practice 5.9 of the MCCG, which states that the board comprises at least 30% of women directors. What benefits has the board experienced from the increased participation of female directors in the boardroom over the years? How has the board's performance been impacted by these benefits? What aspects of the Board have experienced improvements or declines before and after the appointment of female directors?	All directors of the Company actively participate in Board discussions and often offer different perspectives based on their diverse background and experience. It is important to stress that our Board places priority on evaluating suitability of directors based on their competence, character, knowledge and experience, regardless of gender.

Pre-Meeting Questions

FROM SHAREHOLDERS VIA TRICOR'S MEETING PLATFORM

No.	Pre-Meeting Shareholders' Question	Response
1.	Questions requesting the Company to provide e-vouchers to shareholders attending the AGM.	Since the Company listed in December 2012, we have consistently practiced no door gifts and vouchers at all our AGMs, as we believe that the best way to reward shareholders is to keep improving the way we run the business and providing good dividend returns to our loyal shareholders.

ELK-DESA®

35th Annual General Meeting

END OF PRESENTATION